

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
Marshall Johnson  
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Thomas Pugh  
Phyllis A. Reha

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Northern States  
Power Company d/b/a Xcel Energy to Modify  
the Special Facilities Provisions of the Standard  
Installation and Extension Rules

ISSUE DATE: July 27, 2005

DOCKET NO. E-002/M-05-113

ORDER REJECTING PETITION

**PROCEDURAL HISTORY**

On January 13, 2005, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition to modify the Special Facilities provisions of its Standard Installation and Extension Rules to assure recovery of all costs associated with providing Dual Feeder (DF) Service from the customers taking that service.

On March 30, 2005 the Minnesota Department of Commerce (the Department) filed comments recommending approval in part, with modifications.

On April 18, 2005 Xcel filed reply comments agreeing to some of the Department's proposed modifications and opposing others.

On April 28, 2005 the Department filed supplemental comments reaffirming its earlier recommendations.

The Commission met on July 14, 2005 to consider this matter.

**FINDINGS AND CONCLUSIONS**

**I. Xcel's Proposal**

Xcel filed a petition to amend the Special Facilities provisions of the Standard Installation and Extension Rules of its tariff. Specifically, the Company sought Commission approval of tariff language providing recovery of all costs associated with new DF service applications and new expansions of existing DF services.<sup>1</sup>

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<sup>1</sup> Dual Feeder service provides redundant distribution feeders to a customer in order to minimize the potential for an interruption in service. Xcel has approximately 160 Dual Feeder customers, one-third of which have been added to the service over the last 10 years.

Xcel stated that there are three categories of facilities associated with the provision of DF service:

1. Switchgear - Equipment that transfers the load between feeders
2. Alternate Feeder Construction - New feeder facilities built to provide the DF service
3. Reserved Feeder Capacity - Existing feeder capacity reserved for use by DF customer in the event of an outage on the alternate feeder

## **II. The Department's Initial Comments**

The Department recommended Xcel's petition be approved in part, with modifications. The Department agreed with the Company that it is appropriate to recover the incremental costs of providing Dual Feeder service from DF customers and supported Xcel's proposal to charge DF customers for the ongoing costs of switchgear and alternate feeder construction at actual cost, but no greater than 5.36 to 6.75 percent of the up-front cost of switch gear and alternate feeder construction.

The Department also recommended, however, that the Commission deny Xcel's proposal to recover the up-front and ongoing costs of reserved feeder capacity. The Department suggested that only incremental costs that can be directly attributed to DF customers and are not currently recovered in rates should be charged to those customers. The Department argued that Xcel could recover the costs associated with the distribution system twice - once through rates and again from Dual Feeder customers through the Special Facilities Tariff.

The Department recommended that if Xcel proposes up-front charges for reserved feeder capacity, ongoing charges for switchgear and alternative feeder construction, and ongoing charges for reserved feeder capacity in its next rate case, the Company should clearly and specifically identify all incremental costs along with the special facilities revenue credit in order to assure that the Special Facilities Tariff would recover costs appropriately and would not result in double recovery of distribution expenses.

## **III. Xcel's Reply Comments**

Xcel accepted the Department's recommendation to use the last authorized cost of capital in developing the ongoing charge for switchgear and alternative feeder capacity, but disagreed with the Department's recommended level of the ongoing switchgear and alternate feeder construction charge. Xcel also disagreed with the Department's recommendation to deny the proposal to charge for both the up-front and ongoing costs of reserved feeder capacity.

Xcel asserted that the proposed rates for DF service reflect the actual cost of providing the service. The Company argued that the Department's concern regarding double-recovery was misplaced. The Company asserted that if its proposal were not adopted, other ratepayers would bear the cost of providing DF service. Xcel encouraged the Commission to approve its proposal as modified in its response comments.

#### **IV. The Department's Supplemental Comments**

The Department argued that it could not support Xcel's proposal to recover the incremental up-front and ongoing costs of reserved feeder capacity based on the record in this docket. The Department stated that it is unable to conclude that existing rates are not sufficient to recover the costs of any new distribution capacity. The Department also questioned whether the entire amount of capacity reserved for DF customers is always replaced and whether a decision to build additional distribution capacity is driven by the impact of the DF customer or whether other factors such as increased electric demand or the age of distribution facilities affect the decision to upgrade or replace distribution facilities.

The Department concluded that Xcel has been unable to definitively show that its proposed charges reflect only the incremental costs of providing DF service. The Department also stated that a determination of the Company's gross revenue requirements is necessary to determine the reasonableness of the proposed change in rates, and to ensure that Xcel does not double-recover these costs. The reasonableness of these charges, the Department stated, can most appropriately be done in the context of a general rate case proceeding rather than in a miscellaneous filing.

#### **V. The Commission's Analysis and Action**

The Company bears the burden to show that its proposed rates are reasonable. The Commission agrees with the Department that Xcel has not shown that its proposed charges reflect only the specific costs of providing service to Dual Feeder customers. In addition, the Company has not persuasively supported its contention that the proposed charges are not already recovered under current rates. Accordingly, the Commission will reject the petition and encourage the Company to address the issue of Dual Feeder service in its next rate case.

#### **ORDER**

1. Xcel's petition is hereby rejected. The Company is encouraged to address the issue of Dual Feeder service in its next rate case.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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